



# CONNECTICUT BANKERS ASSOCIATION

FTR

February 21, 2012

TO: Members of the Insurance and Real Estate Committee

FR: Connecticut Bankers Association

Contacts: Tom Mongellow or Fritz Conway

RE: House Bill 5140, AN ACT CONCERNING TIMELY PAYMENT TO AN INSURED BY A  
MORTGAGE COMPANY

Position: Oppose

The bill as drafted ignores the fact that the joint payee insurance checks it references are usually issued as a direct result of damage to the property and that property is the underlying collateral for the mortgage loan.

As such, it is critical that the proceeds of the check are used for their intended purpose, which is to repair or remedy the condition that caused the claim to be paid in the first place. In most cases, payments from that claim check will be released to the borrower as repairs are made (such as a roof or fire repairs). This system insures that the repairs actually get made versus the monies being spent on something other than what the claim check was supposed to remedy.

These repair "progress payments" are critical to protecting the condition and value of the real estate, which is exactly why the lender is named as the co-payee.

To mandate "full payment" to the borrower within ten days after the "claim" has been "verified", ignores need for verification of repairs to the real estate.

The banking industry certainly appreciates the need for borrowers to receive proceeds from a jointly issued insurance claim check on a timely and when appropriate basis, and we would be happy to provide the committee with additional information surrounding this important payment process.